

Message Text

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SUBJ: UK OFFERS CAPITAL AID PROGRAM TO TANZANIA

1. SUMMARY: UK HAS OFFERED \$30 MILLION CAPITAL AID AND TECHNICAL ASSISTANCE PACKAGE TO TANZANIA IN WAKE OF VISIT BY BRITISH MINISTER FOR OVERSEAS DEVELOPMENT. AID WILL COVER AT LEAST THREE YEAR PERIOD ALTHOUGH SPECIFIC PROJECTS HAVE NOT YET BEEN DETERMINED. THIS IS FIRST UK CAPITAL AID PROGRAM IN TANZANIA SINCE 1965. IF PROMISES TO FURTHER IMPROVE BRITISH-TANZANIAN RELATIONS WHICH HAVE BEEN ON UPWARD TREND FOR PAST YEAR. END SUMMARY.

2. UK MINISTER FOR OVERSEAS DEVELOPMENT, MRS. JUDITH HART, VISITED TANZANIA JUNE 16-22. SHE MET WITH PRESIDENT NYERERE, FIRST VICE PRESIDENT JUMBE, FOREIGN MINISTER MALECELA, COMMERCE AND INDUSTRIES MINISTER JAMAL, AND ECONOMIC AFFAIRS AND DEVELOPMENT PLANNING MINISTER CHAGULA. SCHEDULE ALSO INCLUDED VISITS TO ZANZIBAR AND UPCOUNTRY LOCATIONS. TANZANIA ROLLED OUT RED CARPET FOR MRS. HART WHO IS PHILOSOPHICALLY SYMPATHETIC TO WHAT TANZANIA IS TRYING TO DO.

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3. UK HAS NOT HAD CAPITAL AID PROGRAM IN TANZANIA SINCE TANGOV BROKE RELATIONS WITH BRITAIN IN 1965. MAJOR ANNOUNCEMENT DURING MRS. HART'S VISIT WAS REINSTITUTION OF CAPITAL AID TOGETHER WITH INCREASE IN PREVIOUS TECHNICAL ASSISTANCE PROGRAM. OVERALL PACKAGE, WHICH TOTALS ABOUT \$30 MILLION, WILL COVER AT LEAST THREE YEAR PERIOD AND CAN BE EXTENDED IF IT IS NOT USED. ABOUT \$27 MILLION WILL BE IN FORM OF CAPITAL AID, 45 PERCENT GRANT AND 55 PERCENT LOAN WITH MATURITY OF 25 YEARS AND SEVEN YEARS GRACE ON CAPITAL REPAYMENT. NO INTEREST WILL BE PAYABLE ON LOAN. REMAINING \$3 MILLION WILL BE PROVIDED AS TECHNICAL AID, I.E. FOR SENDING UK SPECIALISTS TO TANZANIA.

4. AID PACKAGE WILL COVER FOLLOWING ON-GOING OR PREVIOUSLY AGREED UPON PROGRAMS: (A) FUNDING AND TOPPING OFF OF PROFESSORS AT UNIVERSITY OF DAR ES SALAAM; (B) VARIOUS TRAINING PROGRAMS IN UK; (C) FUNDING FOR PAYMENT OF PENSIONS TO FORMER UK CIVIL SERVANTS IN TANZANIA; AND (D) FUNDS FOR TRANSFER TO TANZANIA, ON BASIS OF AGREED VALUATION, OF FARMS WHICH ARE STILL BEING OCCUPIED BY BRITISH NATIONALS, I.E. KILIMANJARO FARMERS. THESE FOUR AREAS, HOWEVER, WILL ACCOUNT FOR RELATIVELY SMALL PORTION OF PACKAGE. REMAINDER WILL BE DEVOTED TO RURAL DEVELOPMENT PROJECTS. TANGOV MUST NOW PROPOSE SPECIFIC PROJECTS.

5. SPEAKING TO NEWSMAN BEFORE PROCEEDING TO MAURITIUS JUNE 22, MRS. HART SAID SHE IS CONVINCED TANZANIA'S CONCENTRATION ON RURAL DEVELOPMENT PROJECTS IS BEST DEVELOPMENT STRATEGY FOR COUNTRY. SHE ADDED PRESIDENT NYERERE WELCOMES RESUMPTION OF ECONOMIC COOPERATION BETWEEN TWO COUNTRIES.

6. COMMENT: FOLLOWING LONG, DRY SPELL, UK-TANZANIAN TIES HAVE BEEN ON GRADUAL UPSWING FOR PAST YEAR. VISIT BY MRS. HART AND RESUMPTION OF CAPITAL AID PROGRAM FIRMLY SOLIDIFY NEW IMPROVED STATE OF RELATIONS. TANZANIA BARELY HIDES ITS PREFERENCE FOR UK LABOR GOVERNMENT. SHOULD LABOR GOVERNMENT BE DEFEATED IN NOT DISTANT FUTURE, UK HIGH COMMISSION OFFICIAL COMMENTED TO EMBOFF THAT IT WILL BE MOOT QUESTION AS TO HOW MUCH OF PACKAGE WILL ULTIMATELY BE USED BY TANZANIANS. FOR TIME BEING, HOWEVER, UK IS RIDING HIGH IN TANZANIA. ONE HIGH CONFIDENTIAL

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COMMISSION OFFICIAL SUMMARIZED MRS. HART'S VISIT: "SHE CAME, SHE SAW, SHE CONQUERED." ANOTHER OFFICIAL COMMENTED, HOWEVER, "SHE ARRIVED WITH ROSE COLOR GLASSES FIRMLY IN PLACE CONCERNING TANZANIA AND NEVER PERMITTED ANYTHING TO DISLODGE THEM." HE ADDED THAT AID IS COMPLETELY "POLITICAL" AND THAT ALMOST NO PRIOR ECONOMIC ANALYSIS DONE ON HOW BEST USE FUNDS IN TANZANIA
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